



OFFICIAL REPORT
AITHISG OIFIGEIL

Net Zero, Energy and Transport Committee

Tuesday 12 September 2023

Session 6



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NET ZERO, ENERGY AND TRANSPORT COMMITTEE
25th Meeting 2023, Session 6

CONVENER

*Edward Mountain (Highlands and Islands) (Con)

DEPUTY CONVENER

*Ben Macpherson (Edinburgh Northern and Leith) (SNP)

COMMITTEE MEMBERS

*Jackie Dunbar (Aberdeen Donside) (SNP)

*Monica Lennon (Central Scotland) (Lab)

*Douglas Lumsden (North East Scotland) (Con)

*Ash Regan (Edinburgh Eastern) (SNP)

*Mark Ruskell (Mid Scotland and Fife) (Green)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Kersti Berge (Scottish Government)

Neil Gray (Cabinet Secretary for Wellbeing Economy, Fair Work and Energy)

Nick Young (Scottish Government)

CLERK TO THE COMMITTEE

Peter McGrath

LOCATION

The Mary Fairfax Somerville Room (CR2)

Scottish Parliament

Net Zero, Energy and Transport Committee

Tuesday 12 September 2023

[The Convener opened the meeting at 09:30]

Decision on Taking Business in Private

The Convener (Edward Mountain): Good morning, and welcome to the 25th meeting in 2023 of the Net Zero, Energy and Transport Committee. Agenda item 1 is a decision on whether to take items 3 and 4 in private. Item 3 is consideration of the evidence that we will hear under item 2, and item 4 is consideration of our work programme. Do members agree to take those items in private?

Members indicated agreement.

Scottish Government Priorities

09:30

The Convener: Agenda item 2 is an evidence session with the Cabinet Secretary for Wellbeing Economy, Fair Work and Energy on the Scottish Government's priorities that are relevant to the committee's remit. This is a wide-ranging session to help the committee to understand what the recently appointed cabinet secretary's priorities will be in the coming months and over the remainder of this parliamentary session. Our discussion will focus on commitments that were made in the recently announced programme for government and on energy policy and government investment, which are two main areas where the cabinet secretary's responsibility intersects with the committee's remit.

I am pleased to welcome Neil Gray, the Cabinet Secretary for Wellbeing Economy, Fair Work and Energy; Kersti Berge, director of energy and climate change; Vikki Halliday, head of governance and assurance unit for strategic commercial assets; and Nick Young, head of industrial decarbonisation and carbon capture, use and storage. Thank you for attending this morning. Cabinet secretary, I believe that you want to make a brief opening statement.

The Cabinet Secretary for Wellbeing Economy, Fair Work and Energy (Neil Gray): I note the emphasis on the word "brief", and I appreciate that. Thank you.

Good morning, colleagues, and thank you for inviting me to the committee this morning. As we all recognise, we are at a pivotal point in our energy transition. Although Scotland has made excellent strides along the path to net zero, there is still much to do. We need to realise our enormous renewables potential, including in hydrogen and offshore wind. We know that our electricity demand will increase as we increasingly decarbonise the economy, so, to achieve a net zero energy system that can support that wider decarbonisation, we need increasing amounts of clean energy generation and we need our electricity networks to be fit for the net zero future. We need significant investment in our electricity networks to reduce constraint costs and to ensure that green power is available where it is needed.

The United Kingdom appointed independent Electricity Networks Commissioner, Nick Winser, recently set out his recommendations on accelerating the delivery of network infrastructure, and we look forward to working with UK Government colleagues and wider stakeholders on considering and actioning those recommendations.

Since my last appearance in May, we have had welcome confirmation from the UK Government that Acorn is best placed to deliver track 2 CCUS objectives. It is very good news but, as of yet, the UK Government has not published any timescales or further details for the next steps of the project. That should happen as a matter of urgency. It is not just me or the Scottish Government saying that; it is an ask of industry. It is vital that the UK Government moves at pace on Acorn, not just to provide certainty for the industry but to ensure that the project can make a massive contribution to reducing our carbon emissions as quickly as possible. Recent events have demonstrated that we have no time to waste and that we must accelerate our transition to net zero while ensuring maximum economic benefits for Scotland.

I look forward to taking your questions, convener. I hope that that was pithy enough for you.

The Convener: I will just say that the questions will not all be from me, but I hope that you have had a chance to read the committee's report on electricity infrastructure, which was published this morning. That was an important report, and I am sure that you will get some questions on it.

Ash Regan (Edinburgh Eastern) (SNP): Good morning, panel. I am sure that the cabinet secretary will be well aware of the committee's recent report, which was a timely and important look at the issues around electricity infrastructure.

The committee is interested to know whether the cabinet secretary agrees that a new approach is needed for funding and for developing grid capacity and that it should anticipate future need rather than react to the current need. If so, what can the Scottish Government do to improve the situation on that topic?

Neil Gray: I thank Ash Regan for that question. I note her emphasis on "recent". The publication of the report was incredibly recent—it was this morning. It is incredibly important, as the convener and Ash Regan have said. I very much welcome the work that the committee has done to produce that report. It is very helpful, not least for the Government to be able to continue to make the case to the UK Government, the Office of Gas and Electricity Markets and the systems operator to ensure that that investment comes forward.

It is not a Scottish Government responsibility, but we know that grid infrastructure is one of the major potential barriers to our being able to realise our net zero objectives and the potential that we have for offshore and onshore renewable energy. I was at the headquarters of Scottish and Southern Electricity Networks in Perth yesterday and saw its transmission and distribution network grid. I saw

how complex that is, and how much still needs to be done. Your report is helpful in that regard.

There are a couple of things that we need to do when it comes to funding and a new approach. Your report rightly highlights the fact that we need to take people with us. Where does that responsibility lie? The grid infrastructure is a UK Government responsibility rather than a Scottish Government one, but it has major implications for devolved policy. We are looking to work with the UK Government, Ofgem and the systems operator to ensure that we give people as much information as possible about what is going to be required. There is also an ask of industry to ensure that as much information as possible comes from industry as well. As I said, I had conversations with SSEN yesterday about that and how we can make sure that we take communities with us on this journey because, clearly, quite a substantial investment will be needed, in transmission infrastructure in particular, to ensure that we take full advantage. Those conversations are on-going.

Your report was published this morning. I have not had an opportunity to fully digest all aspects of it, but we will certainly interact with it and respond to it in due course.

Ash Regan: The planning system came up repeatedly when we looked into this area. I think that we all agree that we do not want that to be a blocker to our net zero ambitions. Again, a step change is needed in that regard, perhaps in the resources for planning, or perhaps in the way in which planning works, including the practices that are used. Do you have a view on anything that the Scottish Government could do to create some level of improvement in the planning system?

Neil Gray: I agree that we need to make sure that, where we have responsibility, we give as much certainty as possible to industry while also making sure that we maintain our high standards of consenting. We are due to publish soon our onshore wind sector deal, which touches on those issues. The programme for government sets out that we are looking to half the consenting time for onshore wind. Although it is at an earlier stage, we are also looking to reduce, as far as we possibly can, the consenting times for offshore wind. Part of that will mean interactions with local government on ensuring that it is appropriately resourced, in terms of the funding, people and guidance that we can provide to it. We want to provide as much certainty as possible while, as I said, maintaining high standards.

I point you to the upcoming onshore wind sector deal, which will give us more information around how that is going to be done in collaboration with industry.

The Convener: SSE Networks and SP Energy Networks tend to plan five years ahead and consult on transmission lines, which means that communities are faced with a five-year plan when, realistically, to reach net zero, a 15-year plan is probably required. Where there may be one transmission or distribution network suggested, it might be that three or four are needed to reach our net zero requirements. Do you not think that SSEN and SPEN would be better served by laying out a spatial plan for the medium term on the entire requirements for distribution, rather than doing one line at a time. That tends to confuse and annoy communities five times over, and perhaps one plan would be better.

Neil Gray: As I said, making sure that we take communities with us as far as we can is incredibly important. Where we have energy generation infrastructure going in, we have a very clear and high bar of expectation on community benefit. I am keen that we are as creative as we can be to make that community benefit go as far as possible, to make sure that there are economic development opportunities and the social infrastructure that potentially comes from that. I hope that we can get to a place soon where that is possible with transmission infrastructure as well, so that we ensure that demonstrable community benefit can be realised from those developments.

We also have to take into account the incredible economic opportunity that comes from the substantial investment in our grid infrastructure that will be required. A substantial number of jobs will be required to build the infrastructure, and, again, similar to the strategy that we are taking for our energy generation, we want to make sure that we have a supply chain based here in Scotland to ensure that there is maximum economic benefit.

To answer directly your question on whether we can ask industry to do more to provide as much information as early as possible, obviously we already do that. You are right to say that industry is pretty well aware of what will be required. Trying to get that more into the public consciousness and having a greater understanding of why that is required will be incredibly important. The majority of the infrastructure will be required to ensure that we realise our ScotWind potential and take the huge energy potential that is lying particularly off the north coast and move that down south. We need to make sure, as I said, that we take communities with us on that journey.

The Convener: I welcome your call for honesty from the industry about the true demands of what we need to get to for net zero.

Neil Gray: I think that I am calling for transparency.

The Convener: Okay. I welcome your call for transparency, and I would echo it with a call to be honest about what is really needed. Once we are honest, the public can fully understand the cost.

Mark Ruskell (Mid Scotland and Fife) (Green): I want to ask a bit more about the aspiration to halve the determination time for electricity generating stations. Is there anything more to say on that at this point, or will the detail of that—you mentioned guidance for local authorities—all be published as part of the onshore wind sector deal?

Neil Gray: It is the latter. Obviously, we have been engaged for some time with industry around the onshore wind sector deal. Since coming into office, I have found that one of the clearest areas of action that industry is looking for us to help with is grid infrastructure—that is one of the major barriers to unlocking our energy potential—as well as ensuring that there is as much certainty as possible.

The industry is not necessarily looking for speed, which is not the only factor. It is about giving the industry as much certainty as possible. Because interactions with the Electricity Act 1989 are outwith our control, that makes it more challenging. As soon as a public inquiry is triggered, that adds a year to the process.

The detail on how we will get to the PFG commitment will be published in the onshore sector deal. That deal is not just about what we will do for industry; it sets out action that is required of industry for Government and for the general public.

Mark Ruskell: Yes—it is a new social contract.

Thinking about infrastructure, you mentioned the 1989 act. The Winsor report highlighted that there perhaps needs to be greater alignment across the UK in consenting processes. Is it possible for us to make progress on that in Scotland without further devolution of powers under the 1989 act, or are there reforms, particularly on infrastructure consenting, that we can bash on with?

09:45

Neil Gray: It is certainly not possible, without the devolution of those powers, to take away the potential for a public inquiry that adds a year to the process. That is an important aspect of ensuring that people can have their say on projects. However, you are right that, for us to be able to make full and meaningful progress, there is a need for interaction with the UK Government. Particularly on onshore wind, it would be an understatement to say that we are on different pages as to the importance of that particular element of renewable energy. As we saw from

allocation round 5—AR5—just this week, the same applies to offshore wind.

We will continue to interact and engage as best we can with the UK Government and try to ensure that there is as much alignment as possible and that it is doing its share to provide as much certainty as possible, because that is an ask not just of the Scottish Government on consenting but of the UK Government on the areas for which it has responsibility.

Mark Ruskell: On streamlining the consenting process for offshore wind, are there changes that could and should be made to make things simpler?

Neil Gray: Yes. It is a programme for government commitment that we ensure that we provide as much information and guidance as possible to local authorities to streamline and provide as much certainty as possible for offshore wind. Obviously, the offshore industry is at a different stage of maturity from the onshore one. There is still learning to be done on the competing demands on the natural environment and providing as much information as possible, but we are looking to do what we can to provide as much guidance and certainty as we can to planning authorities to ensure that the consenting regime for which we have responsibility is as efficient as possible.

Mark Ruskell: I will move on to hydrogen and the potential for green hydrogen. I recently met a hydrogen developer who talked about not just hard-to-abate sectors but hard-to-abate places. That got me thinking about whether the green industrial strategy will become more place-specific in identifying where the potential uses of hydrogen are and how we will get industrial decarbonisation in key sites. How much specificity will we have in the green industrial strategy that could perhaps help to build certainty for investment, or will the strategy have broader aspirations on green hydrogen, as something that is important and that has great potential, but without drilling down into where, when and how?

Neil Gray: I am keen that the green industrial strategy is as helpful as possible in maximising the economic opportunities that we have with our massive renewable energy potential. Green hydrogen is one element of that and has the potential, depending on where we choose to go, to reduce the need for some of the transmission infrastructure that the convener was talking about, because it is, in essence, an additional opportunity for energy storage. We need to decide what will be the best use and provide the maximum output from using hydrogen as an opportunity.

Certainly, in industrial decarbonisation, you will be familiar with plans in certain parts of industry to

use hydrogen as a way in which to reduce carbon emissions in their processes. That is why it is so important, particularly on the CCUS front, that we see a determination from the UK Government on which sites and emitters will be part of that process, so that there is an investable proposition for those industry colleagues as quickly as possible. That industrial decarbonisation will be critical, not just for us in Scotland to meet our 2030 and 2045 targets but for the UK to be able to meet its targets, and CCUS will play an important role in that process.

Mark Ruskell: Green hydrogen is important as well—

Neil Gray: Yes.

Mark Ruskell: —which would require CCUS.

Neil Gray: Absolutely.

Mark Ruskell: My final question is about other sectors that are perhaps not highlighted in the draft energy strategy as much as some people would like, such as the solar, tidal and wave energy and battery sectors. What is your sense of whether we have the right balance of targets and market signals for each of those sectors? I will not say that they are all identical to onshore wind; they are at different stages of development and closeness to market. What is your sense of the drivers and targets that are needed? Could we start with solar and then go on to the tidal, wave and battery sectors?

Neil Gray: Without being specific, movement on all those areas will be at different paces. We are working on determining whether there is a target for solar energy that could be brought forward and whether that is the appropriate way in which to try to drive development. For all the elements, what was positive from AR5 was seeing marine energy come through. That was on a small scale, but it represented progress, and it highlights where there is support that could be provided, in this case through the UK Government's contracts for difference, which can make a real difference in helping to drive that development. We are mindful of that, and we look to do what we can on targets and on support to ensure that we deliver as best we can on the potential that we have.

Mark Ruskell: Is there a trade-off among technologies? Is there a view in Government that, if we invest too much in the grid infrastructure that is required for solar, or even allow batteries to connect to the grid, it will Hoover up the available transmission infrastructure for onshore wind and other technologies? Is there a point at which our transmission infrastructure is limited and we have to prioritise certain technologies over others?

Neil Gray: Before we get to infrastructure, there is obviously a limit on what we can do, based on

having a fixed budget and a very challenging public finance landscape. We need as wide an energy mix as possible, not least because the technologies play different roles. We know that tidal is incredibly predictable: it provides good certain energy. Similarly, pumped hydro storage gives baseload capacity when the wind is not blowing or the sun is not shining. We know that wind—onshore and offshore—is the cheapest form of renewable energy and already provides a huge amount of capacity for the grid. As has been said, for us, hydrogen has potential as storage and to help to decarbonise other elements of the economy. *[Neil Gray has corrected this contribution. See end of report.]*

In all areas, we need as wide a mix as possible, and that is what we are looking to achieve. Some are at different stages and will require different levels of support, through funding and by ensuring that we have certainty on consenting and on transmission and the grid infrastructure upgrade, to ensure that they continue to be an investable proposition.

Douglas Lumsden (North East Scotland) (Con): My questions are about carbon capture. Like you, cabinet secretary, I was delighted that the Acorn project was put on the track 2 process. That is really good news. How are the Scottish Government and the UK Government working together to ensure that we maximise the potential of the Scottish cluster?

Neil Gray: I appreciate Mr Lumsden's question. I am pleased that we have taken another step forward, but it is one step, and I think that Mr Lumsden would accept that, until we have further clarity on which emitters will be included, and a timescale, it will be difficult for full progress to be made.

We interact with the UK Government. There have been a number of meetings on the matter at official and ministerial level, and we are, as you would expect—and, I hope, support—trying to push UK colleagues to go as fast as possible to ensure that such decisions are taken to give certainty and to help to unlock the Scottish Government funding, because we cannot spend the £80 million until we know which emitters will be included and where we will be able to add maximum value.

We want the UK Government to go much faster. Industry does as well, and that is a very strong call from industry, which is clear that further delay absolutely risks our ability in Scotland and that of the UK Government to meet our net zero targets. Carbon capture, as Mr Lumsden will be aware, plays an incredibly important role in that.

Douglas Lumsden: Has any timetable been set, or is that work on-going?

Neil Gray: No. We have had no information other than what you have seen to be publicly available, Mr Lumsden.

Douglas Lumsden: You mentioned the £80 million that the Scottish Government had in its budget and then removed. You seemed to suggest that that money was going to go back in. Is that a commitment of the Scottish Government?

Neil Gray: The £80 million is there and is committed for carbon capture when the decision is taken and when we know where we will be able to add the greatest value. That can happen only when there is certainty about which emitters will be included in the project.

Douglas Lumsden: You say that it is there, but it was actually removed from the budget, was it not? It was included in a budget and then removed. Is that not correct?

Neil Gray: I can give Mr Lumsden absolute confidence that, when we are in a position to have certainty about the timescale and about which emitters will be included, the funding that we have committed to will be realised.

Douglas Lumsden: I am slightly confused about the £80 million because, when you committed that initially, the Acorn project had not even been given approval. Therefore, we are actually in a better state now than when you first put the money in your budget. When you put that £80 million in your budget initially, what was it envisaged that it would be used for? What was the scope of the £80 million? How was it going to be spent?

Neil Gray: We were hoping that it would help to move the UK Government on a little bit faster in the process and ensure that it realised the industry's call to take decisions as quickly as possible. I do not think that Mr Lumsden and I are at cross purposes: we both want carbon capture to happen and we want it to have happened yesterday. The challenge is that we want to commit the funding to ensure that we play our part in supporting the industry. However, until we have certainty about which emitters are included and about the timescales, we cannot spend that money. We need to ensure that there is that certainty. I do not think that we are at cross purposes here; we are both in the same area. When that information is available, we will be in a position to spend that money. It is absolutely crucial that the UK Government now takes that action.

Douglas Lumsden: We agree, but I am confused. You had £80 million in your budget, so can you give us clarity on what that was for and why it was removed? We are in a better place now than we were when the money was initially put into the budget.

Neil Gray: As I have said, that money will be available when we have the information about the emitters that will be included and when the process will be concluded. At this stage, we do not have that information, so we cannot spend that money. When we have that information, we will spend that money. I cannot be any clearer than that.

Douglas Lumsden: I do not want to flog this too much, but what do you think the £80 million will be spent on? Are we talking about a transmission network for carbon, or is it to help businesses? What is your initial thought on what the £80 million would be used for?

Neil Gray: As I have said, when we have certainty on which emitters will be included and what the UK Government will fund, we will use the £80 million to add maximum value to those that are involved, depending on what the UK Government sets out. That is why, as I have said repeatedly, it is so important that the UK Government sets out which emitters will be included and what it is going to fund. Until we know that, it will be impossible for us to add value because, as yet, there is nothing to add to. That is why we and industry are looking for the UK Government to move much faster.

The longer the delay, the less likely it is that we will be able to meet our targets and see the industrial decarbonisation that we all want to see and that we have to see if we are to meet our net zero objectives. That is why I call on the UK Government to move much faster, and I do that through engagement, publicly and privately, as do my officials.

Douglas Lumsden: I will move on from that question, because I do not seem to be getting an answer on what that £80 million would have been used for.

Can the cabinet secretary provide an update on the just transition plan for the energy sector and on the timing of the draft plans for the agriculture and land use, building and construction and transport sectors? We had a debate last week, and we heard how the agriculture sector is screaming out for some sort of guidance. Can you give us an update on that, please?

Neil Gray: We need to take this in order. The consultation on our energy strategy and just transition plan closed earlier this year and received substantial feedback. The consultation responses are being considered, and we are hoping to produce a response as soon as possible to make sure that that part of our programme is realised. We will move as quickly as we can on a sector-by-sector basis thereafter.

Kersti Berge (Scottish Government): We are looking to publish the discussion papers that feed

into the sectoral plans around late 2023 or early 2024. It is not a case of nothing happening before a plan is published. The discussion papers and the plans were developed in close collaboration with interested parties. Obviously, farmers, as the people who use the land, were part of that.

10:00

Douglas Lumsden: By the end of the year, our farmers should have some sort of guidance about the direction of travel and what they need to be working on. Is that fair?

Kersti Berge: I said that it will be late 2023 or early 2024. I go back to the point that there is ongoing discussion with farmers and others, and a bill is coming through on that. The just transition plan in agriculture will support that. We also have the climate change plan, which we will draft and which will set out what we need to do in relation to emission reduction in the agriculture sector.

Neil Gray: To give Mr Lumsden confidence, I am well aware of the need for more information, particularly for those in agriculture and food production. I had a round-table session in the south of Scotland, organised by South of Scotland Enterprise, as part of my summer tour. There is a keenness among those who work the land and who generate income from it to do the right thing. Some of them are already looking to decarbonise their operations and have taken big strides to do so. You are right that they are looking for information. I am well aware and cognisant of that, as is Mairi Gougeon. As Kersti Berge said, we will do what we can to provide as much information as we can as quickly as we can.

Douglas Lumsden: We have all been invited to farm visits over the summer, and there is a lot of frustration, so it is good to hear that that matter will be prioritised.

We have the Scottish industrial energy transformation fund, as well as the energy transition fund and the emerging energy technologies fund. Can you give us more information on how those funds will be evaluated and in what timeframe you expect results from those funds to come through?

Neil Gray: There is constant evaluation on all our funding streams across Government. We will continue to consider how well they are performing to ensure that—as I have said—we are targeting our limited resource in a way that adds maximum value to our enterprises that are looking to come forward with decarbonisation measures. We will provide as much support as we can to industry. Mr Lumsden has already referenced a number of sectors. This is not just about one element of the economy that will do the heavy lifting for us to reach net zero—it will not just be about energy

generation or heat in buildings; there will be a raft of areas, and all of us will have to play our part to ensure that we decarbonise and reach net zero by 2045.

Douglas Lumsden: What are the timeframes for those funds? What are you looking at for the reduction in output?

Neil Gray: Sorry?

Douglas Lumsden: I mean output of emissions.

Neil Gray: Our target is 2045. We also have 2030 targets. All the funds that we put forward, which Mr Lumsden has listed, are intended to ensure that we take steps in different parts of the economy to reach those ultimate targets. Some of that is about trying to inspire good behaviour; some of it is to support people in taking difficult but necessary decisions around changing the way that they do their operations. All of it is geared up to ensure that we reach the 2045 target.

Douglas Lumsden: I assume that you will be evaluating the funds, not waiting until 2045 before you look at them, to see whether we are getting the best bang for our buck.

Neil Gray: I will bring in Nick Young.

Nick Young (Scottish Government): I will use the SIETF as an example. It is about encouraging industry to invest in energy efficiencies and decarbonisation processes. We are just about to issue the third call for applicants. The first two calls have been thoroughly evaluated by our client engineer and expert consultants. Those evaluations play into the third call. We are going through that process now—it is an on-going evaluation process. The emissions reductions and energy savings are evaluated through the due diligence process and then through the deployment phase as well.

Kersti Berge: The funds are absolutely targeted at reducing emissions but also at ensuring that we have a just transition and supporting people through the transition, for example through skills. We do quite a lot of that in the just transition fund. We also capitalise on our economic opportunities. The emerging energy technology fund that we have been talking about, which covers carbon capture and storage and hydrogen, is absolutely targeted at creating opportunities where Scotland can be on the front foot not only to decarbonise but to create the jobs and the gross value added of the future.

Douglas Lumsden: I have a final question. The programme for government sets out that the Scottish Government will work with industry

“to create energy transition opportunities at major industrial sites”

in Scotland. How will the Government support small and medium-sized enterprises in reducing their environmental impact?

Neil Gray: We have already set out some of the funds that support that and the important part that carbon capture will play in that regard, and we will ensure that continued progress is made in sectors that are going through a decarbonisation process—I am thinking of the likes of Mossmorran and Grangemouth. The funds that Mr Lumsden mentioned, on which Nick Young and Kersti Berge have given more information, are our key focus.

Douglas Lumsden: How big a role will SNIB have in helping our SMEs?

The Convener: Just to confirm, SNIB is the Scottish National Investment Bank. It is a strange acronym that some people who are watching might not necessarily pick up, but I am sure that everyone here knows it.

Neil Gray: Thank you, convener. You are right—it is important that we speak with as much clarity as possible for people.

Obviously, the Scottish National Investment Bank has a key role to play in our reaching net zero. It is independent of Government, but it has been tasked with a goal. One of its priority areas is net zero and ensuring that the investments that it makes support us in that journey. It has resources to utilise to ensure that it supports projects that can help us with a just energy transition. I meet and engage regularly with SNIB to ensure that it updates me on progress and on the work that it is doing. I have also been at a number of events where I have seen how it is supporting organisations already.

SNIB’s investment proposition will be important, as will private capital. We know that it will not be possible for public finance alone to help us in this journey. We will not be able to realise our renewable energy potential or our decarbonisation responsibilities without the support of private capital. Ensuring that there continue to be investable propositions is part of my responsibility, working alongside other colleagues in the Government. We continue to engage with the likes of SNIB and the First Minister’s investor panel so that we do everything that we can to ensure that our energy and decarbonisation plans are all as attractive as possible in order to get maximum response and meet our 2045 target.

Douglas Lumsden: Would you say—

The Convener: Mr Lumsden, you said two questions ago that that was your final question. You might get in trouble with the rest of the committee. I might come back to you at the end, if I can.

You mentioned farming in your questions. Just for clarity, and so that there is no dubiety, I note that I have a share in a family farming partnership, which is declared and on the record, and that transmission lines go over the farm. There is nothing unusual about that, but I asked a question on transmission lines, so people should be aware of that. I hope that that clarifies things.

Neil Gray: It is always best to keep us all above board, convener.

The Convener: Absolutely. Monica Lennon will now come in with a hard-hitting question for you, cabinet secretary.

Monica Lennon (Central Scotland) (Lab): No pressure, then. Good morning to you, cabinet secretary, and to your officials. I have a brief set of questions for now; I will ask more later on.

I want to pick up on new oil and gas projects. It is fair to say that the Scottish and UK Governments hold different positions on continued exploration in the North Sea, certainly in the medium term. How can the two Governments ensure that, while holding those policy differences, they can work effectively to give maximum certainty to businesses and communities during what is quite an uncertain transition period?

Neil Gray: Ms Lennon's initial proposition is absolutely correct: the Scottish and UK Governments have very different positions regarding new oil and gas projects. That said, we are very much focused on ensuring a just transition, which is why the areas for which we have responsibility—we do not grant licences for new oil and gas exploration—are focused on a just transition. That is where our responsibilities lie, and it is where we will continue to provide focus.

However, we appreciate that the energy companies that are involved in oil and gas are transitioning and that their workforce and investments will be incredibly important—I refer to Mr Lumsden's contribution—in allowing us to make that just transition. We will not be able to meet the 2045 target without private capital. A substantial amount of that, particularly in the energy generation sphere, will need to come from energy companies that are involved in oil and gas.

We need to take a measured approach that appreciates the role that those companies have to play. That will be critical, but we also need to push them to go as fast as possible in that just transition. That will be of paramount importance. All my engagements over the summer, with those in the sector and with Government colleagues, have been about ensuring that a just transition happens as quickly as possible.

Monica Lennon: I will return to the issues around public communications later. You have

clarified that both Governments have very different positions on new oil and gas projects. You will be aware that there has been some criticism that the Scottish Government's position has become less clear in recent times. It has not given a direct answer on its position on Rosebank, for example, which is quite different from the position that was taken on Cambo.

A few days ago, the First Minister was urged to "get off the fence". Those are not my words, but those of more than 100 high-profile people from the arts and entertainment worlds—including performers at the Edinburgh fringe festival—and members of the public, who asked the Government to voice opposition to the new Rosebank oil field. Why is the Government not able to give a straight yes or no answer on that? Why is there a perception that you and your colleagues are on the fence? Do you want to get off the fence today?

Neil Gray: Decisions on new oil and gas licensing are for the UK Government. When there is an interest in that type of step change, I suggest that the most effective form of campaigning is to target where such decisions are taken.

We have been very clear, as I set out the last time that I was at the committee and as I set out whenever the media were at an event that I attended over the summer, that decisions on new oil and gas licensing are for the UK Government, but we want there to be much more transparent and stringent climate compatibility checkpoints. We are not opposed to any new oil and gas projects, but we feel that they should pass more stringent climate compatibility checkpoints. With regard to the energy strategy and just transition plan, we will make clear our position, in response to the consultation responses, as quickly as we can. The language in the strategy and plan is clear on what we currently expect the UK Government to do in relation to new oil and gas projects, and we will clarify our position in response to the consultation responses in due course.

10:15

As I said, we have a responsibility right now to play our part in responding to the climate emergency, but we also have to make sure that there is a just transition. We have to take the workers who are currently involved in oil and gas with us, because shutting down the North Sea prematurely would not achieve a just transition. That would result in workers, skills and investment being lost, which would make it much more difficult for us to reach our net zero targets and to achieve our huge renewable energy potential. We must be very careful about ensuring that we take our climate responsibilities seriously but that we do not

lose the skills, people and investment that the industry currently has.

Monica Lennon: Everyone wants a just transition—I do not think that anyone is against that—and to protect and create good jobs. I am trying to understand where a project such as Rosebank, which is massive in scale, would fit in with a just transition.

I will ask again about the Scottish Government's position. I fully understand that the decision sits with ministers in London, but is the Scottish Government neutral on Rosebank? Do you have a view one way or the other, or is the Scottish Government happy to sit and let others consider compatibility checkpoints and make the decision? I wonder whether, in private discussions, you say that you are not in favour of Rosebank, and I think that people would like to know whether that is the case.

Neil Gray: We are not passive observers. We have made it very clear that we want much more transparent and stringent climate compatibility checks for new oil and gas projects, regardless of which application we are speaking about. We want to engage with the UK Government on that and to see that forthcoming, but it is its decision. Obviously, we attempt to engage on that basis to ensure that we see that just transition evidenced, and we will continue to make that case, as will elements of the industry. They want a much clearer and more transparent process, too. We will continue to work to try to achieve that with the UK Government.

Monica Lennon: I think that you are still on the fence, but I will hand back to the convener.

The Convener: I am totally confused. Can we have a yes or a no? Do you support Rosebank, or do you not?

Neil Gray: I have made it very clear that we want much more stringent climate compatibility checkpoints for new oil and gas projects, regardless of which application we are talking about. I have made it very clear that we have to be very careful about picking one application or another without us—whether it is the Scottish Government or the UK Government—having the right strategy set out.

We know that we will rely on the oil and gas industry for some time to come. Its premature closure will put jobs at risk, and investment potential, knowledge and experience will go with it. We know that that will be critical. We must also make sure that we take our responsibilities relating to the current climate emergency seriously, which is why there must be a much faster just transition. We are working with the industry to try to push it to go as fast as it can in providing investment that supports new renewable energy generation and

the skills transition. We are also looking to push the UK Government to ensure that it uses much more transparent and stringent climate compatibility checkpoints.

The Convener: Okay. I think that I can read that answer as “Yes”, “No”, “Maybe” and “Not sure”.

Neil Gray: No, it has to be—

The Convener: Mark Ruskell wants to come in, and then I will bring in Ben Macpherson—members are queueing up, cabinet secretary.

Mark Ruskell: We are not alone; countries around the world are considering how to ensure that there is a just transition away from oil and gas and how to do that in a responsible way that meets current and future energy needs. A lot of the conversations in that space have involved the Beyond Oil & Gas Alliance. I think that the previous First Minister indicated that the Scottish Government would seek to join that conversation at some point and to be part of that alliance, which includes countries such as Wales, Ireland, Denmark, France and New Zealand. Where are things at in that regard? Do you know, through your role as cabinet secretary, where those international conversations are at? Will we be looking to join BOGA at an appropriate level in the months to come?

Neil Gray: Those discussions are on-going, and that proposition is still on the table. Mr Ruskell is right that this is not a conundrum that we face alone; other countries around the world face the very same one. We are looking to show as much leadership as we can and to take our responsibilities as seriously as possible in relation to the decisions that we can take.

We will work collaboratively internationally to ensure that we take those responsibilities seriously. John Kerry was here recently, and the First Minister introduced him for a very important speech. Other discussions on that front are on-going. We take our international responsibilities seriously. We have world-leading targets to achieve, so we will take the decisions that we can take, such as supporting the just transition fund and our energy transition, and we will try to make sure that the decisions that are taken for us are taken in the best way possible to ensure that we have an accelerated just transition.

Mark Ruskell: It would be useful if we could get specific feedback on the Beyond Oil & Gas Alliance and on whether—

Neil Gray: I will make sure that we follow up on that in writing.

Mark Ruskell: That would be good. Thank you.

Those are all the questions that I have right now.

Ben Macpherson (Edinburgh Northern and Leith) (SNP): Good morning, cabinet secretary, I want to emphasise your points about delivering a just transition. Having worked briefly in the renewable energy sector, at the innovation and technology development end, I can absolutely empathise with your points about the expertise of the oil and gas industry that goes into renewable development. Your points are well made about the fact that, if we are broadening that out to deliver a just transition, which is, of course, the aspiration of the country as well as the Government, that process will need to be done in a procedural and careful manner in order not to lose those skills.

If there is anything more that you want to add on that, I would be interested to hear it. Also, do you have anything to add on the need to continue to grow the salaries available in the renewable sector so that they can compete with those in the oil and gas sector—the way that it is right now—as well as the tax-take considerations?

On Rosebank, your points are essential to remember. It will be the UK Government that will issue those licences, and that is where the campaigning energy of those with concerns about the issues needs to be primarily directed.

Neil Gray: The deputy convener's point about the expertise is well made. I visited a number of operations and businesses over the summer that are involved in renewable energy, many of which have already transitioned from oil and gas. Many of our ports are doing likewise. Obviously, the deputy convener has more than a passing interest in that fact.

I was also at Montrose to visit the Seagreen offshore wind farm. The substantial investment made by Montrose Port Authority to ensure that it captures as much of the renewable energy potential as possible is demonstrable; it is there for all to see. I had a very good conversation with Port of Aberdeen, the Aberdeen port authority, as well, which Ms Dunbar and Mr Lumsden will be interested in. Again, the plans that it has to ensure that it is able to scale up and have the capacity to be able to deal with what is coming from the green industrial revolution—if you want to put it that way—are huge. We know that it is there and that it is coming. We just need to make sure that the landscape in which we are operating is encouraging those investment decisions to be made and supporting people in making those employment decisions. We also need to ensure that we are making the just transition happen as fast as possible. That is the Government's ambition, and I am sure that it is the ambition of colleagues around the table.

The Convener: We now move on to the next questions, which are from Jackie Dunbar.

Jackie Dunbar (Aberdeen Donside) (SNP): I am glad that you have pointed out that it is not just the oil and gas sector that is transitioning, convener, because we have the fishing sector as well, and there will be a fair few other sectors starting to transition, if they have not already done so.

Good morning, cabinet secretary and others; thank you for coming along. My questions are on the energy price rises. How challenging were fuel costs last winter for families in Scotland? How confident are you that there is enough support in place in Scotland, given that fuel bills will remain high throughout the coming winter?

Neil Gray: I thank Ms Dunbar for that question. I cannot begin to appreciate just how difficult last winter was for families across Scotland. Families who ordinarily would have felt themselves to be relatively comfortable, as well those who were already struggling, found last winter incredibly difficult. To compound that, we are now in a situation in which interest rate rises are posing difficulties for people with their mortgage payments and in which the new price cap is going to keep energy prices at double what they were a few years ago. The pressure on households is therefore still grim. We are doing what we can with the resources that we have available to us to mitigate some of that pressure. The First Minister's first action was to see the fuel insecurity fund not doubled but trebled, and we hope that that will provide some comfort and support over this winter.

What we really need is structural change. The sad irony is not lost on me. We were talking earlier about the massive renewable potential and the current energy generation that is coming from Scotland. Yesterday, I saw at SSEN that the energy generated is four or five times beyond requirements in the area at which I was looking. We are generating way beyond our need, yet in Scotland we have some of the highest energy bills and highest levels of fuel poverty. That is why we need structural change on energy pricing. We need to see it being decoupled from wholesale gas prices, and we need to see Scotland's benefit from having such a huge resource being put to use to support households and businesses. I was in Rutherglen yesterday, talking to businesses. Brexit was the number 1 issue that was being talked about, but the second issue was energy costs, which have been absolutely crippling for not only households but businesses. We need to see that support continue, we need Ofgem and the UK Government to intervene and we need to see a wholesale change in the way in which the market operates.

Jackie Dunbar: Some of my constituents have contacted me regarding bills. It is getting to the point at which some of them are being charged

more in standing charges than they are for the fuel that they are using, because they are trying to cut down usage as much as possible. I totally get why standing charges need to be in place—they are needed to help to pay for the background work—and prepayment meters are way more expensive than anything else. Is there anything that we can do to try to get such things changed for the most vulnerable folk in Scotland?

Neil Gray: As I have said, the work that we have done with the fuel insecurity fund to mitigate some of the pressures is important, but in both those areas it is the responsibility of Ofgem and the UK Government to come forward. There has been a considerable campaign, and the Scottish Government has supported an end to the increased charges for prepayment meters. There is welcome progress being made by some of my colleagues at Westminster, who have led the charge on this, but we need to see more action. Elements like that are minor mitigations, but structural change is what really needs to happen to ensure that we take advantage of our resources and are able to put them to use for our people to see demonstrable benefit for them through reduced energy prices.

10:30

Jackie Dunbar: I have heard of a couple of cases with prepayment meters where the person has put in their top-up card and their account has been put to zero because there was an outstanding bill from the former tenant. Sorry, I am blathering, but we need to address that as well.

Neil Gray: I do not know whether this gives Jackie Dunbar comfort, but I have had casework in Airdrie and Shotts on that, and I am sure that other colleagues in the committee have dealt with similar cases. It is genuinely crippling people—households and businesses, as I said. We know from surveys that it is one of the top areas of concern for businesses, particularly energy-intensive business. I have asked businesses where their challenges are—not just yesterday in Rutherglen but throughout the summer—and they mentioned the impact that Brexit had had on the trading environment. The second and third issues, which were pretty close, were energy costs and access to labour. It is a massive issue for our entire economy. We cannot afford to allow that to fester. We need to make sure that action is taken. We will continue to call on the UK Government to provide greater protection for people this winter.

Jackie Dunbar: The Fuel Poverty (Targets, Definition and Strategy) (Scotland) Act 2019 sets out the legally binding targets to reduce fuel poverty in each local authority in Scotland, with the first targets coming in 2030. Do you have a view on how challenging it will be to achieve those

targets in the context, as we have mentioned, of significantly higher fuel costs? What policy will be required to address that?

Neil Gray: It goes without saying how challenging it will be, for all the reasons that I have set out to Ms Dunbar and for the reasons that she set out in her line of questioning. Fuel bills have doubled for many customers. The change in the price cap, although welcome, has made a marginal difference to fuel poverty rates, moving the figure from 34 per cent to 33 per cent of households. That shows the scale of the challenge that is before us and the actual difference that the shift in the energy price cap has made in terms of the pressure on households—I think that only around 20,000 households were lifted out of fuel poverty, so we need much greater structural intervention as well as mitigations to ensure that this winter is not a very cold one for people across Scotland.

Jackie Dunbar: Although green heat finance is changing the way that we heat our homes, it is primarily within the remit of the Cabinet Secretary for Transport, Net Zero and Just Transition. We know that we need to see urgent action on heat decarbonisation. What are your views on the delays to the green heat finance task force's report and the heat in buildings bill, and what input, if any, have you had into them?

Neil Gray: I know that the green heat finance task force continues to work on bringing forward its report. That work is on-going and is incredibly important because, as I set out in relation to energy generation and the infrastructure that we will require to ensure that we have decarbonisation of the heat network for building users, we will need to leverage private finance where we can. The green heat finance task force's expert advice on where that might be possible will be really important. I very much look forward to that coming through to ensure that it informs our really important work on making sure that we decarbonise heat in homes and buildings.

Jackie Dunbar: Have you had any input into that report?

Neil Gray: I obviously have an awareness of the work that has been done, and I continue to work closely with Màiri McAllan and Patrick Harvie on the work that is coming forward. I expect to have a copy of the report when it is forthcoming and to ensure that the stakeholders that I have an involvement with in the private sector investment landscape are able to play their part in what is going to be required in that heat in buildings work.

Jackie Dunbar: Okay, thank you.

The Convener: Cabinet secretary, just before we leave that issue, last year, the committee looked at the budget lines that the Scottish

Government had given to provide advice and support during last year's cost of living and energy crisis. What did you learn from that, will you repeat the support this year and is there a budget for it?

Neil Gray: We will keep that under review. Where there is a demand and we have a responsibility, we will look to meet that demand where we can. You will be aware of the very tight public finances that we are currently operating within. It is the most challenging public finance situation that has ever been seen by many of my colleagues who have been in government much longer than I have.

One of our key priorities is to reduce child poverty. We are ensuring that we are supporting that endeavour through initiatives such as you have outlined for those people who are facing what I think I described earlier as a grim winter, with household energy costs double what they were a few years ago. We will do what we can to help people to mitigate that. Again, however, this is an area of responsibility for UK ministers and Ofgem to regulate—not the specific interventions that you have spoken about but the energy costs that we are facing—so I would expect much greater action from them to ensure that households are protected this winter.

The Convener: Thank you. Monica Lennon will ask the next question.

Monica Lennon: Thank you, convener—I was dropping hints earlier. Cabinet secretary, I am keen to explore your understanding of the public mood around a lot of this. What assessment has been made of how ready the general public are for all the changes that are needed to decarbonise the economy, including around renewable energy, heat and transport?

Neil Gray: We all have a responsibility to play a part in that, all being leaders in the public discourse around what is going to be required. Obviously, Government has already taken many actions. We are supporting some of our stakeholders in the actions that they take, for instance with local government, and in the action that is going to be required. We touched on the transmission infrastructure and the understandable need for communities to have information and comfort around what that is going to mean for them—making sure that people have an understanding of why this is all going to be necessary.

There will be difficult things that mean that we all have to change our behaviours, and that will impact on all our lives. However, the challenge that we face is going to be even greater if we do not take this action. This summer we saw the major impact of climate change through the wildfires and extreme weather that hit parts of the

world, including Hawaii, the Greek islands and parts of Scotland.

It is incumbent on us to ensure that we are taking our responsibility seriously but that we are also taking people with us and explaining that. As I say, it is a responsibility of the Government but also a responsibility of all of us. Some of the public debate—to be fair, mostly outside these walls and in other institutions—has not been helpful. I really fear that the public discourse that we get from elsewhere on the need for climate change or net zero measures, which are going to be uncomfortable for some people, is not helpful. We need much stronger leadership on the responsibilities that we all have and that we will pay for collectively, as a society, in order to achieve those targets, which are absolutely essential to meet.

Monica Lennon: How do you think we can best achieve the public buy-in and support that we need?

Neil Gray: In the debate that we had last Thursday on opportunity in the programme for government, I was really heartened by Daniel Johnston's offer to have a discussion around some of the energy infrastructure changes that will be required and other net zero policies that will be needed. Having discussions between parties around understanding where we stand, having a greater understanding of why we will need to take some of the decisions that we will need to take and having clear lines of communication and consultation on how we might be able to meet them together will be really important.

Where we can find common cause—that is why the Bute house agreement is so important—and where we can work together, we should do it. My door is open to that, and the doors of my colleagues in the Government are open to allow respective spokespeople and others to input. I hope that our discourse is evidence based and is taking people with us rather than seeking to divide communities, which is what I am seeing coming from elsewhere at the moment, as well as people in some quarters trying to deny that it is an issue that we have to face up to at all. We have to face up to it.

Monica Lennon: That is very helpful. Just to get into a bit more detail about what the Government can do and about your clear leadership role, is there room for improvement in the Government's communication strategy and detailed plans around it? Are there any public information campaigns coming out? Is there anything else that you can point to as an example? We all accept that there is a need for cross-party working and for always being responsible, but what communication tools is the Government using?

Neil Gray: All of us have a voice and an ability to set a very clear narrative around why that work is important and why we cannot deny the fact that climate change is not just something for the future but is happening now. The committee has done work to ensure that there is greater public understanding, and we will go away and consider what more we can do—acknowledging that grid infrastructure is a UK Government responsibility—and what we can do to provide as much information as we can and how we can help to work with industry on that.

Where there are suggestions, we will always consider them and look to do what we can to try to provide as much information as possible but also give a greater context as to why the actions that we are going to need to take, which might be uncomfortable for some people and might have to change the way that we live our lives, are necessary. If we do not take that action and we do not meet our net zero objectives, and if global warming continues to happen, there will be even greater discomfort because of the more extreme weather and the imposition that the impact of climate change will have on people's lives and livelihoods.

Monica Lennon: To explore that a bit further, we are talking about behaviour change for individuals and organisations, but, ultimately, we need a big radical system change for that to have any meaningful impact. You mentioned a few times today your engagement with business and industry. What more should and could private companies do to communicate their plans for infrastructure investment?

Neil Gray: I would always encourage that, and, from the engagements that I had in the summer, I know that there is a lot of work going on around the innovation that will be required to assist us. A huge amount of innovation is happening in Scotland in energy generation but also in the system changes that Ms Lennon referenced to assist us in that progress. Also, businesses are looking at what they can do in their operations, whether or not they are involved in energy transition or anything to do with net zero.

The majority of the businesses that I deal with want to do the right thing and are looking at trying to decarbonise and make sure that they contribute in their own way. Monica Lennon is right: it is about making sure that, where people are looking to do that, we exemplify it and point it out. I say “we” as in the Government, but, in the engagements that the committee will have with your stakeholders as well, it is about making sure that, where there has been good practice and best practice, we share that, exemplify it and pass it forward as an example to others. It is also about making sure that we point people in the right

direction of the interventions that we are making, which I shared with Mr Lumsden, to ensure that people know that the support is there for them to do that work.

10:45

Monica Lennon: The committee loves to shine a light on good practice and innovation.

You talked earlier about the need for transparency in decision making. People need to have the tools to combat misinformation and to identify greenwashing when they see it. Thinking again about the Government's communication strategy, what more could be done to make sure that, when people are given information, it is factual, credible and evidence-based, so that they can trust what they hear?

Neil Gray: It is incumbent on Government ministers to come forward with information in the way that Monica Lennon has outlined, and to make sure that

“it is factual, credible and evidence-based”.

We must also ensure that the public discourse is as informed as possible. The best approach in the energy sector is not to demonise bad behaviour; it is to exemplify good behaviour, including where good work is being done to transition, and to ensure that people take the right decisions and move in the right direction. That is the best approach. As I said in response to Monica Lennon's earlier questions, especially in the energy sector we will need the people and their skills and we will need investments for a just transition that is as speedy as possible. Taking them with us, just as we need to take the public with us, will be of critical importance.

The Convener: The committee has been trying to find out who is responsible for what. We finally received an answer early last week to a question that we posed in June. As I understand it, Fiona Hyslop is responsible for ferry contracts—that is, the running of them and routes—Màiri McAllan is responsible for new overseas ferry builds and you are responsible for Ferguson Marine, and hulls 801 and 802.

Neil Gray: That is correct.

The Convener: Perfect. So, we have the right person to ask questions on 801 and 802. When will 801 be in service? I do not mean when it will be handed over. When will it be in service with CalMac Ferries Ltd?

Neil Gray: The chief executive of Ferguson Marine is due to give an update to the committee at the end of September on the costs and timeline. There has been an impact that has been largely, but not exclusively, due to the Maritime and

Coastguard Agency's taking a different approach to regulation of crew escape from 801. A number of areas of change to the original design have been required. The conversations that I have with the management at Ferguson Marine—and those of my colleagues, including Vikki Halliday in the civil service—are about making sure that the ferries are delivered as quickly as possible and without any undue cost overrun, not least because our island communities need and deserve those ferries to be running as soon as possible.

The Convener: I appreciate that, cabinet secretary, but it was a direct question: when will the ferry be in service with CalMac? That does not need David Tydeman to come to the committee and tell us. You are in charge of Ferguson Marine—you must know. I am asking you a question: when will 801 be in service with CalMac?

Neil Gray: With due respect, convener, I gave that answer. Mr Tydeman will give the committee an update, and that has to be based on decisions that are still to be taken by the MCA on whether the mitigations that will be taken on the design of the ferry will be appropriate for the MCA to pass those ferries as safe to operate. Those discussions are on-going, which is why I cannot give a date.

The Convener: So Mr Tydeman has not told you a date.

Neil Gray: I say with respect that the discussions with the MCA are still on-going. That is why I am ensuring that Mr Tydeman has the opportunity to give the committee and me the update on the conclusion of discussions with the MCA, which I hope will be a positive conclusion. I cannot give an update until those discussions are concluded. I think that that is pretty clear.

The Convener: It is really bizarre that we started with a delivery date for the autumn, I understand, with the perceived MCA changeover of regulations—we will come to the MCA changeover—and were then told in Mr Tydeman's written update to us that it might be spring next year. You must have had those discussions. I am asking you a straightforward question, because islanders are asking everyone the question. When will the ferry be in service? It does not appear to be the case that you can answer me.

Neil Gray: No, because—with respect—the MCA's decision making on the safety of crew escapes from the ships is not a minor thing. It is pretty fundamental to whether the design of the ferry allows it to sail. It is not an inconsequential matter. I hope, obviously, that the last update—that the ferry will be in service in spring—can be met, but until the discussions with the MCA are concluded I cannot give a further definitive update.

It would be unfair to suggest that the MCA's decision making is anything other than critical to the delivery of the ferries.

The Convener: So, we have to hope for spring, and we are still hoping for autumn next year for 802.

Neil Gray: Absolutely. I want those ferries to be delivered as quickly as possible. I was born in an island community, and I continue to have family living in an island community, so I know how critical ferries and lifeline operations are to people living in those communities and for the businesses that operate in those communities. I fully understand and appreciate that. That is why we have been pushing as hard as possible for them to be built as quickly as possible. To be fair, the MCA is a regulator and it would be inappropriate for me to try to intervene in the MCA's decision making. Those discussions are for Ferguson Marine and the MCA to carry out so that mitigations in the design of the ferries can be brought up to what the MCA now expects. I hope that that can be completed as quickly as possible, for all the reasons that I have set out.

The Convener: The MCA, when it looked at the ferry, said that the requirements for the safety stairwells for crew exit were not sufficient. I am sure that you will have asked, as I would have done, what ruling or what regulation the MCA was basing that comment on. Do you know what regulation it was and what year it came into effect?

Neil Gray: I will need to reply in writing to provide full clarity on that for you. It is also appropriate for me to say that it is not appropriate for me to intervene in the decision making of the MCA, or in the negotiations between—

The Convener: I am not asking you to.

Neil Gray: —Ferguson Marine and the MCA. There was a change in the application of what the MCA was expecting for the crew escapes. The previous expectation was that that would be based on cargo escape regulations as opposed to passenger regulations. That is for the MCA to determine, and I respect that process. That means that there is a need for changes to the design of the ferry to ensure that the design satisfies the MCA that it is safe to operate. Those discussions are on-going between Ferguson Marine and the MCA, and I support both in arriving at a conclusion as quickly as possible.

The Convener: Do you accept that the MCA was brought in early enough so that there would not have been that issue, when it came into effect? My understanding is that the regulations that the MCA is relying on date back to pre-2020. Therefore, my problem is that nothing has changed since 2020 and those regulations; it is just that the ferry does not meet the requirements

that could have been consulted on with the MCA earlier. When was it first brought in to discuss it? Was it when Ferguson Marine thought that the ferry was ready to be launched?

Neil Gray: I will provide detail on that in writing in consultation with David Tydeman, convener. My understanding is that discussions have been on-going with the MCA on all aspects of 801 and 802 over a long period, but I will make sure that I give the full detail and clarity for you in writing.

The Convener: It would be helpful if you could clarify whether that change came out of the blue, and was something that had never been discussed before and was not based on a regulation that predated 2020.

Neil Gray: I am not looking to point any fingers. Obviously, I fully respect the fact that the MCA has a job to do to ensure that the ferries that it needs to sign off are operationally safe. I will ensure that I furnish you with that information as soon as I can.

The Convener: When David Tydeman came to see you and said, "Look, there's a serious problem. We will have to build new stairwells", that was quite considerable because of all the miles of cabling and pipe work, which I have inspected and, I am sure, you have inspected, and the implications of that. We could get on to all the jointing that was a problem with the previous cabling, which all had to be replaced. Did he tell you how much that would cost in his estimate?

Neil Gray: Part of the revised costings that Mr Tydeman provided to the committee earlier in the summer reflected that, but we need to wait until there is a full conclusion on what the MCA will accept for the final design, in order to get a full picture. You are right: many of the problems that we face are due to original design issues. If you have been around 801, convener, you will have had that pointed out to you, as I did. We are still living with that, and will do until the ferries are signed off and handed over. Obviously, we are looking to ensure that Ferguson Marine takes as much action as possible to mitigate as early as possible with 802, in learning from what has happened with 801, and to ensure that the impact on costs and delivery time is lessened. However, some of that will be unavoidable. That is why, as you would expect, my officials and I continue to engage weekly with Ferguson Marine and regularly at ministerial level to ensure that we deliver those ferries for our island communities as quickly as we can.

The Convener: The communities have been waiting. Goodness knows they have been waiting—

Neil Gray: So they have.

The Convener: —as you accept. It would be helpful in that letter, cabinet secretary, if you could itemise the costs for 801. In fairness I point out that when David Tydeman wrote to the committee in June it was before this problem came to light, so I do not believe that the extra costs that he referred to related to the issues that have come from the MCA. I suspect that there will be considerable additional costs. It would be helpful to know what those are. It would be helpful to know whether, on the back of those costs, if you had known about them, you would still have used ministerial direction to instruct that the ferries still be built, despite the fact that they were not cost effective. If we had known about those costs when you made that decision, you might have reviewed your position.

I have one other point to raise for clarity on the additional costs. My concern is that the costs will be considerable because you will then have to go through the whole design structure as well, will you not, to ensure that the design is fit for class, and not just for MCA standards? Will it delay the ferries' coming into service to ensure that everyone is happy with all the changes to the design—the insurers and the people who supplied all the equipment? Will that affect any of their warranties?

Neil Gray: There were a number of questions there; I will try to take them in turn. On the first one, the authority that I gave to proceed related specifically to 802, not 801, because 801 is close to delivery, so there was no issue with cost there. On 802, I needed to consider any additional cost overrun, and I continue to do so, along with the wider elements that I have a responsibility to consider, such as the local economy and the island communities having the ferries as quickly as possible. I suspect that I would still have given ministerial authority, given what we know now.

11:00

On the points that you make about further regulatory interactions, I know that Ferguson Marine continues to discuss those matters with Lloyds and to have an iterative sign-off process, which will continue. I hope that the process will not be impacted on by what we are discussing. On the manufacturer's warranty, CalMac is responsible for negotiations between it and Ferguson Marine. I know that those discussions are on-going and, where required, I will ensure that I am kept abreast of them and ensure that CalMac gets the ferries as quickly as possible and in a way that meets the contracted demands.

The Convener: I am just struggling in my brain, cabinet secretary, with the fact that it was over four years ago—I think that it was 16 August 2019—that the Government nationalised Ferguson

Marine, since when you have been in charge of it. What I do not understand is how we are in the situation such that, just before the ferry is to be ready for handover to CalMac for sea trials, we suddenly come up with a list of other faults that no one knew about. I guess that, if I had been running a business for four years and I were in that position, somebody would ask me to consider whether I were in the right position.

I pose that to you, and I look forward to your answers. This is very serious, and we need to question who knew what, because I do not believe that those faults came out of the blue. I therefore look forward to your answers, and I look forward to getting the update from David Tydeman at the end of September, with all the costs and delivery times being laid out for the committee in great detail, I guess, after today's meeting. Thank you. Are there any other questions?

Douglas Lumsden: For clarity, cabinet secretary, you mentioned that discussions with the MCA had been on-going for some time, so what did you mean? Did you mean six months or six weeks? What sort of timescale are we looking at?

Neil Gray: As I said to the convener, I will make sure that further detail is provided on those discussions. I will need to consult Mr Tydeman, who has responsibility for that interaction.

Douglas Lumsden: Do you know whether the discussions were taking place before the most recent update to Parliament—which I think you gave—or did they take place after that update?

Neil Gray: I will need to consult Mr Tydeman on the discussions with the MCA in order to ensure that I accurately reflect what has been taking place.

Douglas Lumsden: At this point, therefore, you are not aware of whether the discussions were taking place before that most recent update to Parliament.

Neil Gray: For specific information on the most recent issues with the change of application of the rules and regulations on crew escape, and whether those issues are to be dealt with under the cargo regulations or the passenger regulations, I will need to consult Mr Tydeman on when those discussions were happening.

Douglas Lumsden: You were therefore not aware of an issue before you gave that update to Parliament.

Neil Gray: No.

Douglas Lumsden: Thank you.

The Convener: We have come to the end of our questions, cabinet secretary. On behalf of the committee, I thank you and your team for attending today and answering our questions. We

look forward to receiving the correspondence that you have offered to send to the committee after today's meeting. That concludes our public meeting; we now move into private session.

11:04

Meeting continued in private until 12:22.

Correction

Neil Gray has identified an error in his contribution and provided the following correction.

The Cabinet Secretary for Wellbeing Economy, Fair Work and Energy (Neil Gray):

At col 9, paragraph 1—

Original text—

We know that wind—onshore and offshore—is the cheapest form of renewable energy and already provides a huge amount of capacity for the grid.

Corrected text—

We know that wind—onshore and offshore—is one of the cheapest forms of renewable energy and already provides a huge amount of capacity for the grid.

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